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11 APR, 2023

Preparing for an ageing nation

The Star, Malaysia

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MANY Malaysian workers will have to keep working past the official retirement age because more than 50% – or 6.67 million workers – have less than RM10,000 in savings under the Employees Provident Fund (EPF) scheme..

Malaysia is not a welfare state and will not be able to fully support these retirees. Therefore, like it or not, they will have to keep working after they reach the official retirement age of 60.

Malaysia's laws are not on their side compared with laws in neighbouring Singapore, which give workers the option to continue to work until they are 70 years old while remaining protected by employment laws. Malaysia should emulate this.

According to statistics, many senior citizens are healthy enough to continue to work past 60, albeit perhaps not full-time. Only about 10% or less are frail; the rest age with the gradual onset of the usual problems. They may not be able to work full time, but the majority can still manage a reduced workload for the first 10 years after retirement at 60.

They could share a job, for example: A can work on Monday and Tuesday, B on Wednesday and Thursday, and C on Friday and Saturday. Hence, senior citizens can continue to support themselves instead of burdening their families and community.

Still working: File photo of a senior citizen in Singapore taking a customer's order at a fast food restaurant. Such sights are common on the island where retirees can continue to work if they want to. — Filepic/AFP

According to health statistics, the lifespan of Malaysian men is 75 years and for women, it is 79. Therefore, if allowed to work at least part-time after retirement, senior citizens on average will only need financial support for five more years when they can no longer work after 70.

Five years of financial support at RM1,000 a month is quickly accumulated if the retiree can work for 10 years after 60.

According to my calculations, at a compounding interest of 5% and contribution of RM300 a month (assuming a 20% contribution from a RM1,500 monthly salary) for 10 years will allow seniors to gather enough savings to last them until they are 75 years old if they have only RM5,000 in their EPF at 60 years old. These savings will allow senior citizens to withdraw RM1,000 a month for five years after 70.

Making this scenario possible is not about extending the retirement age – after all, if some workers can afford to retire early, they should be allowed to do so. Rather, it is about changing the structure of the EPF scheme.

For example, I believe that the EPF must change the law of contribution: Currently, once a worker hits retirement age, both the worker and his/her employer only contribute half of what those who are not yet 60 contribute. The retiree who works past 60 must continue to contribute the same percentage as before retirement age – ie, at least 20% a month and not 10% or 11% a month.

Second, the EPF must restructure its withdrawal process. The organisation should reconsider allowing one-time lump-sum withdrawals at 60 years old for those who do not have enough savings; instead, allow them a fixed monthly withdrawal amount instead. The one-time withdrawal for members with low savings will harm them and not help them in their old age.

A modified savings and withdrawal scheme under the EPF, coupled with adjustment to allow people to continue working beyond 60, is a win-win situation for the government and workers.

The government's 2023 Budget allocated RM1bil to pay RM500 per person to those aged 40 to 54 whose EPF savings are below RM10,000; by making the above changes, that money can instead be used to build supporting infrastructure and fund long-term plans to increase the quality of life of senior citizens. For example, building old folks' homes or care centres that will look after senior citizens in the last few years of their lives.

Malaysia must consider this carefully as we will be an ageing population by 2030.

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SUMMARIES

MANY Malaysian workers will have to keep working past the official retirement age because more than 50% - or 6.67 million workers - have less than RM10,000 in savings under the Employees Provident Fund (EPF) scheme. Malaysia is not a welfare state and will not be able to fully support these retirees. Therefore, like it or not, they will have to keep working after they reach the official retirement age of 60.